



Fact Sheet

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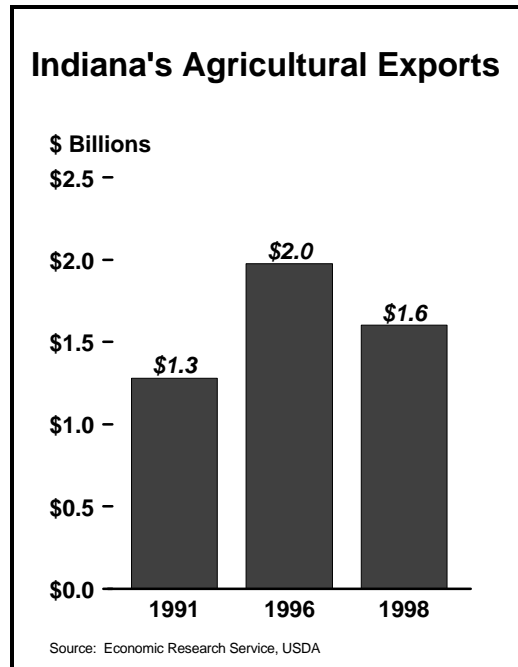
Permanent Normal Trade Relations with China **What's at Stake for Indiana?**

Indiana is a major producer and exporter of agricultural products. Forest products are also important. The state's farm cash receipts and solid wood industry shipments totaled \$4.9 billion in 1998 and \$2.3 billion in 1996, respectively. As for exports, Indiana ranked 10th among all 50 states, with the value of agricultural products leaving the state estimated at \$1.6 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Trade Benefits

The following key products are important to Indiana, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- # **Soybeans and Products**--As the nation's fourth largest soybean producer, Indiana's soybeans and product exports worldwide were estimated at \$774 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.
- # **Corn for Feed**--As the nation's fifth largest feed corn producer, Indiana's feed grains and product exports worldwide were estimated at \$446 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.
- # **Pork**--One of the nation's largest hog raising states, Indiana's live animal and red meat exports worldwide were estimated at \$85 million in 1998. China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will cut its tariff on frozen pork cuts and offal from 20 percent to 12 percent by 2004. There will be no quantity limits at these tariff levels. As a result of the 1999



U.S.-China bilateral agreement, China agreed to accept all pork from the United States that is certified wholesome by USDA.

Solid Wood Products--The lumber industry is important to Indiana. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.